



Office of Health Plan Administration
P.O. Box 720724
Sacramento, CA 94229-0724
(916) 795-2515; FAX (916) 795-4105

April 18, 2006

AGENDA ITEM 13

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. SUBJECT:** Long-Term Care Program 2005 and Earlier Rates
- II. PROGRAM:** Health Program
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

Staff and the Long-Term Care Advisory Committee (Advisory Committee) met on April 4, 2006, to continue discussions regarding appropriate responses to the deficit position for the Long-Term Care Program (Program). At that meeting a consensus was reached regarding proposed rates for the 2006 application period. That material is presented to the Health Benefits Committee in a separate agenda item. In addition, the Advisory Committee discussed next steps to address the 2005 and earlier rates. Based on those conversations, staff will proceed with the following actions which will lead to recommendations to the Board at future meetings.

- Staff will arrange for a “peer review” of the 2005 valuation report with a particular focus on the morbidity assumptions identified in the report. Initial contact has been made with an actuary who can potentially perform that task.
- The Program’s consulting actuary, United Health Actuarial Services, Inc., will continue to refine potential rate adjustments to apply to the 2005 and earlier rates. These adjustments will reflect the Board’s approved criteria to include a margin for adverse conditions without any subsidy across plan designs.
- The Advisory Committee and staff will continue to refine possible mitigation strategies based on the information resulting from the previous two items. Such strategies could cover various timeframes for implementation of any mitigation strategy.
- If the mitigation plan includes any rate increases, staff and the Advisory Committee will evaluate options in addition to across-the-board increases to distribute rate increases by age group and benefit plan.

- Staff and the Advisory Committee will evaluate how any potential rate increase will position the Program relative to premium costs for similar products available in the marketplace.

Staff and the Advisory Committee will meet again in early May to continue discussions on these items. Staff will provide the Board with the outcomes of those discussions at future meetings.

Richard J. Krolak, Chief
Office of Health Plan Administration

Terri Westbrook
Assistant Executive Officer
Health Benefits Branch